

# AUDITOR'S CORNER



**By Emmet R. Wood**  
**Director, Audits and Investigations**

*(This is the third in a series of three articles about the process of maintaining trust account records. The subjects are "Deposit Cycle", "Disbursement Cycle" and "Monthly Reconciliation".)*

1. Upon receiving the bank statement, trace checks and deposits on the bank statement to the journal. Check off on the journal the deposits and checks that cleared on the bank statement. (See middle column on journal)
2. List the checks and deposits that are not checked off on the journal (outstanding checks and deposits-in-transit) on the bank reconciliation. Hint: Review last month's bank reconciliation for outstanding checks and deposits-in-transit that did not clear on the bank statement.
3. The reconciled bank balance on the bank reconciliation should equal the journal balance. These should agree before going to step 4.
4. List the ledger sheets by owner or property and the balances on the ledger sheets on a trial balance.
5. The total of the balances listed on the ledger sheet trial balance should equal the journal and the reconciled bank balance. These must equal before you have properly completed a trust account reconciliation in compliance with the Commission's rules.

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## **Rental Trust Account Monthly Reconciliation**

**Third of a three-part series**

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1.

Receipt of Bank Statement

2.

Reconcile Bank  
Statement

3.

Compare  
Reconcile Bank  
Balance to Journal  
Balance

4.

Prepare Trial  
Balance From  
Ledger Sheets

5.

Compare Trial  
Balance with  
Journal Balance

### **Compliant Software Vendors**

The Commission has identified software that substantially complies with the Rules and Trust Account Guidelines. Vendors currently with compliant software are:

#### **Sales Accounting Software**

- RETTS R.E.A.L. Systems, LLC

#### **Long Term Rental Management Accounting Software**

- MRI Management Reports International
- RETTS R.E.A.L. Systems, LLC

#### **Resort Rental Management Software**

- Entech Data Systems, Inc.
- First Resort
- Instant Software, Inc.
- Strategic Planning & Management, LLC

For more information, consult the Commission's website, [www.ncrec.state.nc.us](http://www.ncrec.state.nc.us).

## 1. Bank Statement

**NCIB**  
North Carolina Insured Bank

Account Number # 123-456-7890  
Statement Period: 1/1/0X-1/31/0X  
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Your Realty Co., Inc.  
Trust Account  
132 Main Street  
Anywhere, NC 27000

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**WITHDRAWALS**

Date	Check No.	Amount	Date	Check No.	Amount
1/13/0X	101	\$ 75.00			
1/22/0X	103	\$115.00 *			

\*Indicates a skip in sequential check numbers

**DEPOSITS**

Date	Amount
1/4/0X	\$3,600.00
1/5/0X	\$2,300.00

**OTHER DEBITS**

Date	Check No.	Amount	Description
1/22/0X	DM	\$2,500.00	Non-Sufficient Funds - Check Returned
1/31/0X	DM	\$ 25.00	Printed Check Charges

Closing Date	Previous Balance	Deposits	Withdrawals	Other Debits	Ending Balance
1/31/0X	\$ 00.00	\$ 5,900.00	\$ 190.00	\$ 2,525.00	\$ 3,185.00

## 2. Bank Statement Reconciliation

Bank Account Reconciliation  
Your Realty Company, Inc.  
Period Ending 1/31/0X

Ending Balance from Bank Statement A. \$ 3,185.00

List Deposits in Transit (Deposits posted to the journal that have not cleared the bank) \$ 2,500.00

Total Deposits in Transit + B. \$ 2,500.00

List Outstanding Checks (Checks posted to the journal that have not cleared the bank)

Check	Date	Amount
102	1/20/0X	\$ 465.00
104	1/30/0X	\$ 1,000.00
		\$

Total Outstanding Checks - C. \$ 1,465.00

Reconciled Bank Balance D. \$ 4,220.00

## 4. Individual Property Trust Account Ledger Sheets

NAME: Your Realty Company, Inc. - Personal Funds ACCOUNT NO.  
ADDRESS: 1362 Main Street SHEET NO.

DATE	ITEMS	DEPOSITS	CHECKS	BALANCE
1/03	OK Your Realty Company Inc. Personal Funds	OK-1 \$100.00		\$100.00
1/31	OK NC Insured Bank Check Printing Charges	DM	\$25.00	\$75.00

NAME: Clay (Seller) to Thomas (Buyer) ACCOUNT NO.  
ADDRESS: 1362 Main Street SHEET NO.

DATE	ITEMS	DEPOSITS	CHECKS	BALANCE
1/03	OK Jack Thomas EMD	OK-1 \$2,500.00		\$2,500.00
1/22	OK Jack Thomas NSF	DM	\$2,500.00	\$0.00
1/31	OK Jack Thomas Redeposit NSF EMD Check	OK-3 \$2,500.00		\$2,500.00

NAME: Gerald Howard, Owner - Clark, Tenant ACCOUNT NO.  
ADDRESS: 143 North Boulevard SHEET NO.

DATE	ITEMS	DEPOSITS	CHECKS	BALANCE
1/04	OK Charles Clark Security Deposit	OK-2 \$600.00		\$600.00
1/04	OK Charles Clark Jan Rent	OK-2 \$600.00		\$1,200.00
1/11	OK Ajax Plumbing Repairs	101	\$75.00	\$1,125.00
1/20	OK Gerald Howard Net Jan Rent To Owner	102	\$465.00	\$660.00
1/21	OK Your Realty Co., Inc. Jan Management Fee	103	\$60.00	\$600.00

NAME: Allan Ward, Owner - Stephens, Tenant ACCOUNT NO.  
ADDRESS: 2500 Johnson Street SHEET NO.

DATE	ITEMS	DEPOSITS	CHECKS	BALANCE
1/04	OK Blake Stephens Security Deposit	OK-2 \$550.00		\$550.00
1/04	OK Blake Stephens Jan Rent	OK-2 \$550.00		\$1,100.00
1/21	OK Your Realty Co., Inc. Jan Management Fee	103	\$55.00	\$1,045.00

## 3. Trust Account Journal

YOUR REALTY COMPANY, INC.  
TRUST ACCOUNT JOURNAL  
NC Insured Bank A/C# 123-456-7890

DATE	DESCRIPTION	NUM	DEPOSITS	CHECKS	BALANCE
1/03/0X	DEPOSIT	OK-1 (A) ✓	\$3,600.00		\$3,600.00
1/04/0X	DEPOSIT	OK-2 ✓	\$2,300.00		\$5,900.00
1/11/0X	Ajax Plumbing - 143 N. Blvd - Repairs	101 ✓		\$75.00	\$5,825.00
1/20/0X	Gerald Howard - 143 N. Blvd Net Jan Rent to Owner	102		\$465.00	\$5,360.00
1/21/0X	Your Realty Company, Inc. 1/0X Mgt Fees	103 ✓		\$115.00	\$5,245.00
1/22/0X	Jack Thomas - NSF - 1362 Main St	DM (B) ✓		\$2,500.00	\$2,745.00
1/30/0X	F. Lee Bailey, Attorney 119 Maple Closing	104		\$1,000.00	\$1,745.00
1/31/0X	DEPOSIT	OK-3	\$2,500.00		\$4,245.00
1/31/0X	NC Insured Bank Check Printing Charges	DM ✓		\$25.00	\$4,220.00

(A) - Referenced to sequentially numbered deposit tickets  
(B) - Debit Memo  
✓ - Cleared Bank

## 5. Trial Balance

YOUR REALTY COMPANY, INC.  
TRIAL BALANCE

NC INSURED BANK A/C# 123-456-789  
DATE: 1/31/0X

OWNER	PROPERTY	AMOUNT
Your Realty Company, Inc.		\$75.00
Clay	1362 Main Street	\$2,500.00
Howard	143 North Boulevard	\$600.00
Ward	2500 Johnson Street	\$1,045.00
TOTAL		\$4,220.00